

Policy Advisory Committee Meeting CALIFORNIA WATER PLAN UPDATE 2018

Monday, April 24, 2017

9:30 a.m. Registration

10:00 a.m. Start, Adjourn 3:30 p.m.

**Health Services Training Room
1500 Capitol Avenue
Sacramento, CA 95814**

WORKBOOK

Name: _____ **Organization** _____

Agenda Item #1

Please Sign-in and Pick Up Meeting Materials

Agenda Item #2

Policy Advisory Committee

CALIFORNIA WATER PLAN UPDATE 2018

April 24, 2017 Policy AC Meeting

Health Services Training Room

9:30 a.m. Registration

10:00 a.m. Start, Adjourn 3:30 p.m.

Meeting Objectives

- Describe how current events shape and inform Update 2018.
- Take Aways from April 12 Water Summit - Building Capacity for Regional Sustainability.
- Review and comment on:
 - Sustainability Outlook
 - Policy Recommendations
 - Funding Plan

AGENDA

| # | TIME | CONTENT | PRESENTERS |
|----|-------|---|--|
| 1. | 9:30 | Registration | Team |
| 2. | 10:00 | Welcome & Overview, Introductions 1. Agenda | Kamyar Guivetchi, Manager, DWR |
| 3. | 10:10 | Opening Remarks: Current events and the Water Plan | Gary Bardini, Deputy Director, DWR |
| 4. | 10:25 | Building Capacity for Regional Sustainability: Take-Aways from April 12 Water Summit | Art Hinojosa, Division Chief, DWR |
| 5. | 10:40 | <i>Discussion: Framing Water Policy for Update 2018</i> 1. Given the occurrence and impact of current events, what should Update 2018 try to accomplish or incorporate? 2. Given DWR's intent to support managing for sustainability at a regional scale, what findings and recommendations should the Water Plan Team consider for Update 2018? | All |
| 6. | 11:20 | Water Plan Update 2018 Draft Chapter Orientation Overview of chapter content and flow of information. • Assumptions & Estimates Report • Chapters 1–5 | Paul Massera, Water Plan Manager, DWR |
| 7. | 11:30 | Working Lunch Legislative Perspectives on Water Policy | Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office |
| 8. | 12:30 | Sustainability Outlook (Chapter 2) • Key Findings (Challenges and Disruptors) • Sustainability Outlook | Paul Massera |

| | | | |
|-----|-------|---|---------------------------------------|
| | 12:40 | <i>Discussion:</i> <ol style="list-style-type: none"> 1. What are some of the challenges you have observed at the local, regional, or statewide scale that impede progress toward sustainable water resources management? 2. What are the root causes of those challenges? | All |
| 9. | 1:00 | Policy Recommendations (Chapter 3) Draft Policy Recommendations for: <ul style="list-style-type: none"> • Infrastructure Rehabilitation and Modernization • Capacity-Building • Governance • Regulations & Regulatory Action • Funding | Jenny Marr, Supervising Engineer, DWR |
| | 1:10 | <i>Discussion:</i> <ol style="list-style-type: none"> 1. What red flags or concerns, if any, do you have for draft policy recommendations? 2. What additional (or reframing of existing) policy recommendations should we consider that would help the Water Plan align and integrate water resources planning to advance sustainable water resources management across the state? | All |
| 10. | 2:00 | Ten Minute Stretch | |
| 11. | 2:10 | Funding Plan (Chapter 4) <ul style="list-style-type: none"> • Attributes of a successful funding strategy • Assessment of potential funding methods | Paul Massera |
| | 2:25 | <i>Discussion:</i> <ol style="list-style-type: none"> 1. What can be done to make current funding mechanisms more effective in supporting State government's role in local/regional assistance and statewide sustainable water resources management? 2. What new funding mechanisms could better enable State government to provide local/regional assistance and statewide sustainable water resources management? | All |
| 12. | 3:10 | Public Comment (By registration, please complete a registration card and turn into staff or a facilitator) | All |
| 13. | 3:15 | Next Steps <ul style="list-style-type: none"> • Implementation Plan • Homework/submittal/deadlines • Schedule | Kamyar Guivetchi |
| 14. | 3:30 | ADJOURN | |

If you need an accommodation to attend this meeting, please contact DWR at 916-653-7101 or cwpc@water.ca.gov. Requests should be made as soon as possible but at least 2 business days prior to the scheduled meeting.

Agenda Item # 3

CURRENT EVENTS AND THE WATER PLAN

- **Sustainability** — California's water resources must be managed for a variety of societal values, and in a manner that does not jeopardize future generation's ability to survive and thrive.
- **Infrastructure** — There is a renewed focus on investment in rehabilitation and modernization of aging and deficient water- and flood related infrastructure.
- **Capacity Building** — There is a need for greater leadership and assistance to enhance capacity (including more effective governance) for management and State interaction at a regional scale such as the river basin or the groundwater basin.
- **Regulatory** — Regulations should be tied to watershed management efforts, including planning and investment, to enhance ecosystem function and viability.
- **Funding** — New and innovative funding sources must be developed for capital projects, but also for ongoing funding needs, such as planning, operations and maintenance of the existing system, and support for regional water management.



Agenda Items #4 & 5

Recap and Key Observations of the April 12 Summit



1. Overarching Themes
 2. Highlights
 3. Key Take Aways
 4. Next Steps
-

Discussion

1. Given the occurrence and impact of current events (e.g., SGMA, Water Action Plan, Proposition 218, record droughts and precipitation), what should Update 2018 try to accomplish or incorporate?
2. Given DWR's intent to support managing for sustainability at a regional scale, what findings and recommendations should the Water Plan Team consider for Update 2018?

Agenda Item #6**Draft Assumptions and Estimates Report
California Water Plan Update 2018**

SACRAMENTO -- The Department of Water Resources (DWR) has released a draft of the Assumptions and Estimates Report (Draft A&E Report) for California Water Plan Update 2018. This report describes the significant data, methods, and references that DWR plans to use to prepare the update. Several key technical components of Update 2018 are described in the report. The Draft A&E Report and companion material are available for download at:

<http://www.water.ca.gov/waterplan/cwp/update2018/ae/>

California Water Code Section 10004.6 requires DWR to release a preliminary draft of the assumptions and other estimates upon which the California Water Plan will be based, to interested persons and entities throughout the state for their review and comments. DWR is required to provide an opportunity to comment on the assumptions and estimates and will consider these comments when adopting the final assumptions and estimates for Update 2018.

The Draft A&E Report includes the following categories of information required by the Water Code and much more:

- Basin hydrology.
- Current and projected water use.
- Groundwater supplies.
- Evapotranspiration rates for major crops.
- Current and projected water supplies provided by water recycling and reuse.
- Current and projected adoption of urban and agricultural water conservation practices.
- Environmental water needs.
- Current and projected land-use patterns.
- Current and projected population.

DWR would like your comments on the Draft A&E Report by *June 6, 2017*, to improve the data and information that go into Update 2018.

Please send comments to Abdul Khan at cwpc@water.ca.gov.

UPDATE 2018 ANNOTATED CHAPTER OUTLINE

1) Envisioning Sustainable Water Resources Management

Purpose

To establish sustainability vision and develop shared intent around sustainable water resources management.

Overview

The Water Plan is a continuously evolving document that reflects changes in how the technical and policy communities view water management.

Major developments since Update 2013 have led to another evolution, as reflected in Update 2018:

- Definition of Sustainability.
 - **Sustainability is an ongoing, resilient, and dynamic balance among societal values:**
 - Public health and safety.
 - Healthy economy.
 - Ecosystem vitality.
 - Opportunities for enriching experiences.
- Description of how water management can support the societal values through **defined intended outcomes** (see *Brochure for more details*).
- Role of State government.
- DWR's commitment to sustainable water resources management.



2) Sustainability Outlook

Chapter 2 will summarize water resources management assessments with an emphasis on sustainability. This chapter will evaluate water management effectiveness and identify gaps and work that need to be done by using specific indicators. It will also discuss methods for tracking and reporting progress toward achieving sustainability. Lastly, as part of the assessment, it will describe challenges and potential disrupters for managing water in California sustainably.

3) Policy Recommendations and Supporting Actions

Chapter 3 will identify policy recommendations and supporting actions for sustainable water resources management in California. Policy recommendations and supporting actions will include the short term and the long term, as well as statewide and regional scales. Recommended actions will include an estimate of the cost and time to implement (which will inform the Implementation Plan — Chapter 5), as well as discussion of how the actions support sustainable water resources management.

4) Funding Plan

Chapter 4 will assess, identify, and recommend State funding/revenue sources for water management activities identified in Chapter 3.

5) Implementation Plan

Chapter 5 will present a recommended schedule of implementation, based on identified actions (Chapter 3), costs and time needed to implement, and identified funding mechanisms (Chapter 4). It will also include progress-tracking methods and identify potential roles and responsibilities for successful implementation.

NOTES:

Agenda Item #7

Luncheon Speaker

Rachel Ehlers, Principal Fiscal & Policy Analyst, LAO

Assignment: Water, Coastal Development, and Fish and Wildlife

Program Areas:

- Development and Maintenance of Water Systems
- Federal Outer Continental Shelf Oil Revenues
- Flood Control
- Wildlife Use and Conservation
- Delta-related programs
- Coastal Programs



LAO Reports:

Managing Floods in California (March 2017)

<http://lao.ca.gov/Publications/Report/3571#top>

The 2016-17 Budget: The State's Drought Response (February 2016)

<http://www.lao.ca.gov/Publications/Report/3343>

NOTES:

Agenda Item #8

Chapter 2 — Sustainability Outlook

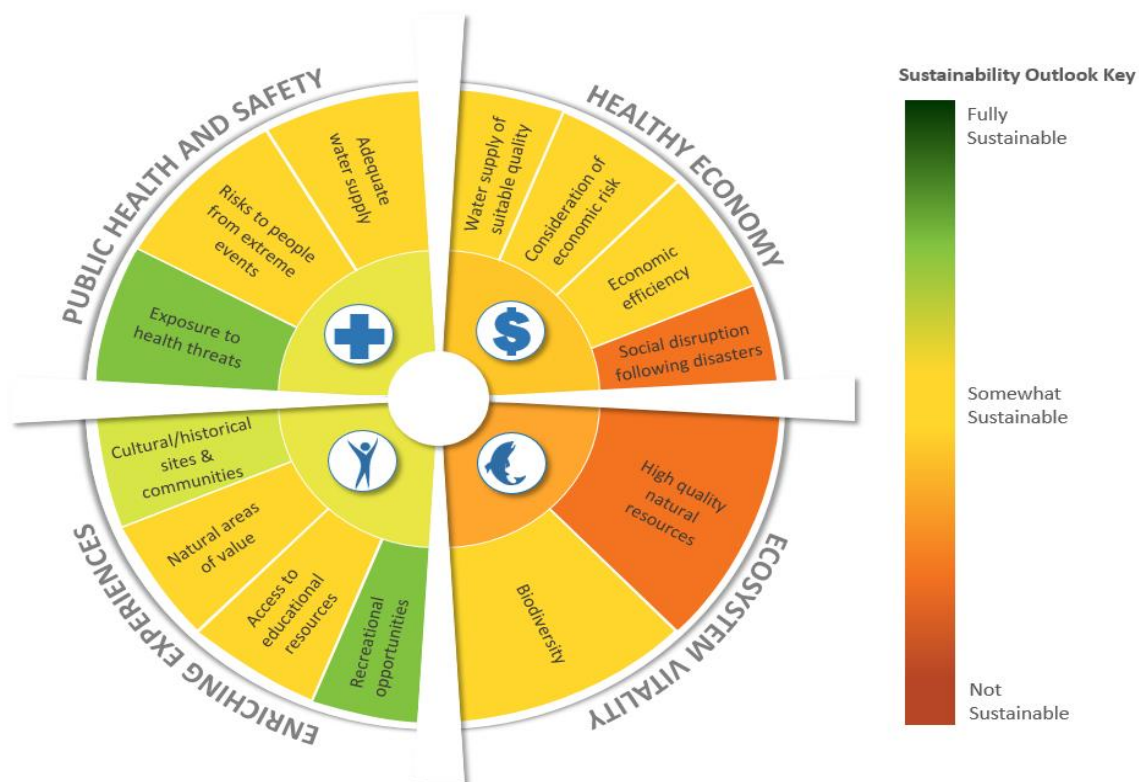
Purpose

Inform the policy recommendations and supporting actions in Chapter 3 by identifying deficiencies and management needs required to move toward sustainable water resources management.

Overview

Chapter 2 will provide a description of the **current setting of water management** in California (based on existing information available from numerous sources). The description will encompass a summary **assessment of sustainability** of water management in California. The assessment will identify **current and potential challenges, drivers, and disruptors**, such as:

- Access to clean, safe, and affordable supplies.
- Projected population growth.
- Underfunded flood and ecosystem management.
- Changing regulatory and social environment.
- Infrastructure vulnerability.
- Declining ecological conditions.
- Aging water infrastructure.
- Extreme hydrologic events.
- Destabilization of regional economies.
- Declining groundwater levels.



Note: All indicators are considered equally in the Sustainability Outlook. The presentation above is for illustrative purposes, and the size of the individual indicators does not reflect relative importance.

Agenda Item #9**Chapter 3 — Policy Recommendations and Supporting Actions****Purpose**

Describe State government policy recommendations and supporting actions for implementation over the next five years (2019–2023), as well in the long term.

Overview

This chapter will describe the importance and urgency of action. It also will explain how we anticipate **improvements in enabling conditions and changes in behavior** identified in the sustainability assessment (Chapter 2), according to the following themes:

- Infrastructure Rehabilitation and Modernization.
- Capacity Building.
- Governance.
- Regulatory.
- Funding.

This assessment will help identify necessary improvements for State program delivery to support water management sustainability and identify policy recommendations that are long term, high level, and cross-cutting. The **policy recommendations are foundational to long-term water management sustainability**. Chapter 3 will also identify **actions to support the policy recommendations**.

DRAFT Menu of Potential Policy Recommendations

Policy recommendations for ***infrastructure rehabilitation and modernization***:

- Undertake rehabilitation and modernization of water- and flood-related infrastructure to reduce risks associated with aging and/or deficient infrastructure and the effects of climate change.
- Ensure facility operations and maintenance practices are based on current, best available data and management practices, and operating plans and manuals are routinely updated, as appropriate for the facility type.
- Promote the use of vegetation, soils, and other elements and practices, such as forest management and working landscapes, to restore some of the natural processes required to manage water and create healthier urban, rural, and natural environments.

Policy recommendations for ***capacity building***:

- Use best available science, data, and tools, and when necessary develop, promote, and implement new technologies and innovations, to support data-driven decision-making and policies to ensure water management stays on a sustainable path and investments are resilient.
- Provide technical and facilitation assistance to support water managers in information-sharing, capacity-building, and system performance assessments.

Chapter 3 — Policy Recommendations and Supporting Actions (continued)

- Strengthen regional integrated water management planning, track program performance, and report intended versus actual outcomes on regular cycles to promote continuous learning and adaptation.
- Provide technical and facilitation assistance and improve access to data and tools for under-represented and economically-disadvantaged communities to facilitate their participation in planning efforts at all planning scales.

Policy recommendations for ***governance***:

- Strengthen the alignment of government planning, processes, and tools with regional governance structures so that goals and objectives, actions, and tradeoffs can be discussed and evaluated holistically at a watershed/river basin scale. The focus on river basins supports the consideration of the unique and interdependent physical, biological, economic, and social processes and functions of California's watersheds.
- Strengthen relationships with California Native American Tribes to acknowledge and respect the tribes' inherent rights to exercise sovereign authority. Ensure that tribes are included in planning and water resources decision-making processes in a manner consistent with their sovereign status.
- Align objectives of local, regional, State, and federal water management organizations to the societal values.

Policy recommendations for improving water resources management ***regulation***:

- Tie and consolidate regulations and permitting processes to watershed planning, implementation efforts, and long-term system management, which should include active planning and investment to enhance ecosystem function and viability.
- Expand regulatory focus to include a systems-oriented approach, rather than just avoiding and mitigating environmental impacts caused by discrete projects. Doing so will support strategic environmental assessment that reconciles environmental needs with human activities through the dynamic balance of all four societal values at a watershed scale.
- Improve existing tools and processes to address common challenges and concerns regarding current regulatory framework and to move beyond traditional project-by-project mitigation.
- Improve governance structures and processes, and use legislation, if needed, to support risk-based decision-making to help water managers make better, more logical choices in support of intended outcomes without complicating their work or reducing their authority. [Risk-based decision making includes the consideration of possible losses for any set of stakeholders or undesired outcomes, such as harmful effects on safety and health, the environment, the economy, or enriching experiences.]

Policy recommendations for ***funding***:

- Commit to consistent, ongoing, State investment designed to deliver specific long-term outcomes that contribute to the societal values.
- Use consistent, reliable, and diverse funding mechanisms, with an array of revenue sources, to support sustainable water resources management, including ongoing management actions and capital projects.

Chapter 3 — Policy Recommendations and Supporting Actions (continued)**Discussion:**

1. What red flags or concerns, if any, do you have for draft policy recommendations?
 - a. Infrastructure Rehabilitation and Modernization.
 - b. Capacity Building.
 - c. Governance.
 - d. Regulatory.
 - e. Funding.
2. What additional (or reframing of existing) policy recommendations should we consider that would help the Water Plan align and integrate water resources planning to advance sustainable water resources management across the state?
 - a. Infrastructure Rehabilitation and Modernization.
 - b. Capacity Building.
 - c. Governance.
 - d. Regulatory.
 - e. Funding.

Agenda Item #11

Chapter 4 — Funding Plan

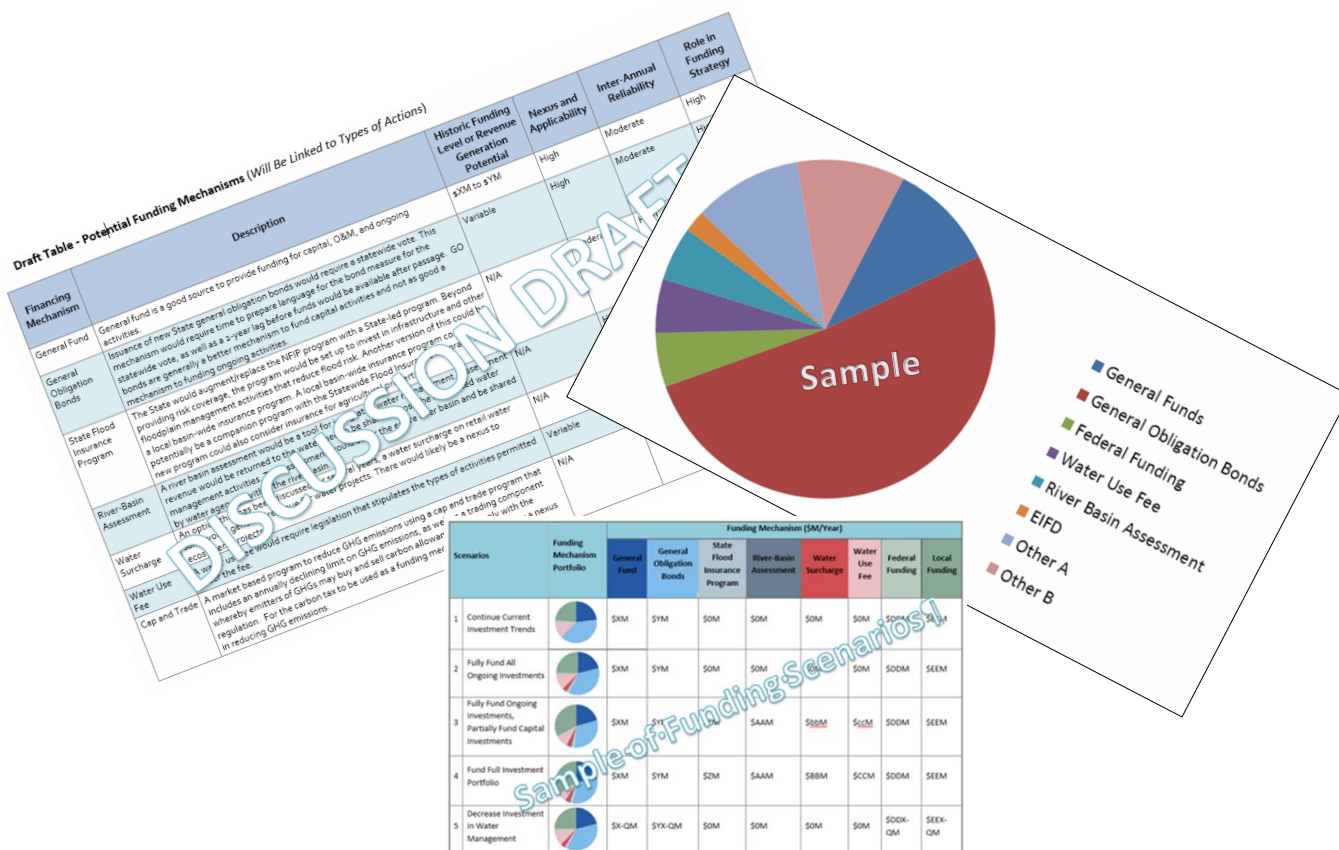
Purpose

Provide State government with a well-supported articulation of short- and long-term funding needs and the most appropriate funding mechanisms. This Funding Plan will recognize and integrate local, regional, and federal funding mechanisms.

Overview

This chapter identifies:

- Historical funding patterns.
- **Investment needs** to support capital and ongoing actions (identified in Chapters 2 and 3).
- Available and new **funding mechanisms**.
- **Funding scenarios** for the Water Plan's near-term (5-year)/long-term actions.
- **Optimal funding plan** to implement actions meant to contribute toward achieving the intended outcomes.
- Layout **phasing for funding actions over time**.



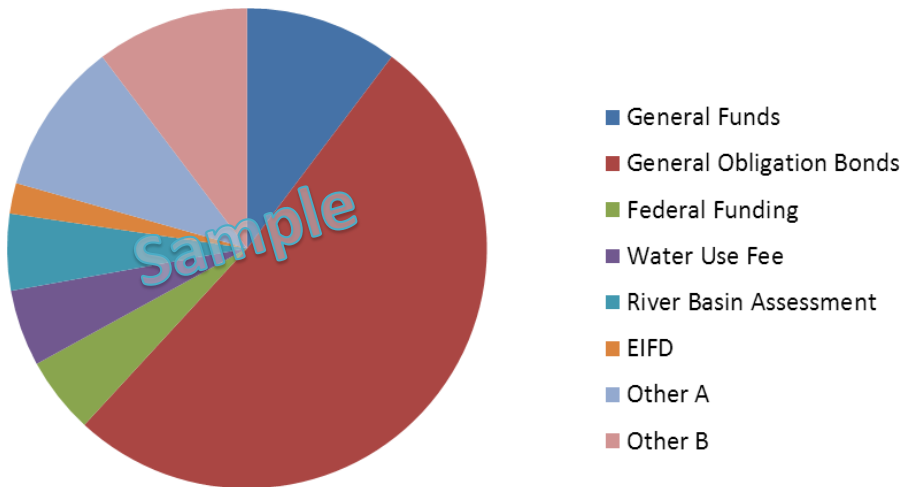
Draft Table — Potential Funding Mechanisms (*Will Be Linked to Types of Actions*)

| Funding Mechanism | New | Description | Nexus and Applicability | Inter-Annual Reliability |
|---|-----|---|-------------------------|--------------------------|
| General Fund | | General fund is a good source to provide funding for capital, O&M, and ongoing activities. | High | Moderate |
| General Obligation Bonds | | Issuance of new State general obligation bonds would require a statewide vote. This mechanism would require time to prepare language for the bond measure for the statewide vote, as well as a 2-year lag before funds would be available after passage. GO bonds are generally a better mechanism to fund capital activities than to fund ongoing activities. | High | Moderate |
| Cap and Trade Fee | | A market-based program to reduce GHG emissions by using a cap and trade program that includes an annually declining limit on GHG emissions, as well as a trading component whereby emitters of GHGs may buy and sell carbon allowances to comply with the regulation. For the revenue to be used as a funding mechanism it must show a nexus in reducing GHG emissions. | Low | Low |
| Environmental Grant Programs | | There are a number of grant programs administered by the California Natural Resources Agency, State Parks, Wildlife Conservation Board, State Water Resources Control Board, or Department of Water Resources that support projects with environmental benefits. Grant funding is typically distributed in amounts that have a funding cap of \$1 million. These financing mechanisms could best be used to contribute to multi-purpose projects that include ecosystem benefits. | Low | Low |
| Benefit Assessments and Special Taxes | | The typical mechanism for funding local activities. Increases to benefit assessments and special taxes would require a property-owner or a registered-voter vote (depending on specific circumstances). Benefit assessments would be limited and not able to fund general benefits, such as habitat restoration. | High | High |
| Developer Fees | | A system development charge for new improvements. The fee must show nexus in the calculation of the fee. The amount of fees collected varies with amount of development. | High | Low |
| Enhanced Infrastructure Financing Districts | | EIFDs were established in 2014 and enable the establishment of one or more EIFDs within a county to assist with financing construction or rehabilitation of a wide variety of public infrastructure and private facilities. The use of the assessments within these districts will vary based on how the EIFD is established. | Moderate | Moderate |
| State Flood Insurance Program | ✓ | The State would augment/replace the NFIP program with a State-led program. Beyond providing risk coverage, the program would be set up to invest in infrastructure and other floodplain management activities that reduce flood risk. Another version of this could be a local basin-wide insurance program. A local basin-wide insurance program could potentially be a companion program with the Statewide Flood Insurance Program. Any new program could also consider insurance for agricultural properties. | Moderate | High |
| River-Basin Assessment | ✓ | A river basin assessment would be a tool for integrated water management. Assessment revenue would be returned to the watershed to be shared across integrated water management activities. This assessment would cover the entire river basin and be shared by water agencies within the river basin. | High | High |
| Water Surcharge | ✓ | An option that has been discussed for several years, a water surcharge on retail water sales, would generate revenue for water projects. There would likely be a nexus to ecosystem projects. | Moderate | High |
| Water Use Fee | ✓ | A water use fee would require legislation that stipulates the types of activities permitted under the fee. | Moderate | High |
| Other ... | | | | |

Funding Scenarios

The Water Plan will use funding scenarios to identify optimum mixes of funding mechanisms.

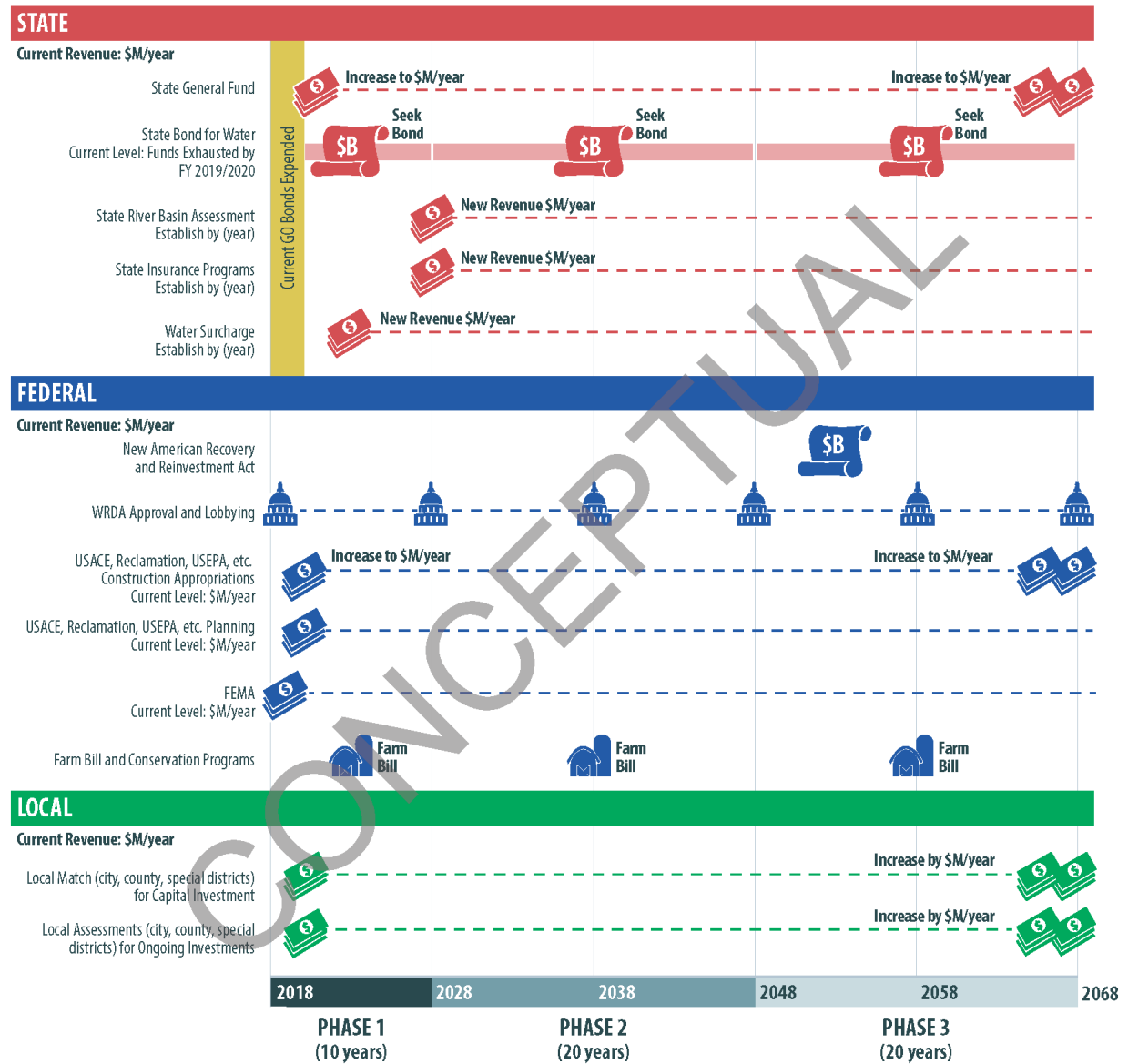
Funding Mix



Comparative Display of Funding Mix and Funding Scenario

| Scenarios | | Funding Mechanism Portfolio | Funding Mechanism (\$M) | | | | | | | |
|-----------|--|-----------------------------|-------------------------|--------------------------|-------------------------------|------------------------|-----------------|---------------|-----------------|---------------|
| | | | General Fund | General Obligation Bonds | State Flood Insurance Program | River-Basin Assessment | Water Surcharge | Water Use Fee | Federal Funding | Local Funding |
| 1 | Continue Current Investment Trends | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2 | Fully Fund All Ongoing Investments | | | | | | | | | |
| 3 | Fund Ongoing Investments, Partially Fund Capital Investments | | | | | | | | | |
| 4 | Fund Full Investment Portfolio | | | | | | | | | |
| 5 | Decrease Investment in Water Management | | | | | | | | | |

Sample Table: Funding Timeline



Chapter 4– Funding Plan (continued)

Discussion:

1. What can be done to make current funding mechanisms more effective in supporting State government's role in local/regional assistance and statewide sustainable water resources management (capital and ongoing** funding needs)?
 - a. Capital
 - b. Ongoing
2. What new funding mechanisms could better enable State government to provide local/regional assistance and statewide sustainable water resources management (capital and ongoing** funding needs)?
 - a. Capital
 - b. Ongoing

**** Ongoing funding** supports core State government functions that increase efficiency, effectiveness, and probability of desired outcomes from water policy and investment. Examples include: planning, data, tool development, technical assistance, and routine operations and maintenance.

Agenda Item #12**Public Comment**

(By registration, please complete a registration card and turn into staff or a facilitator)

Agenda Item #13**NEXT STEPS**

| | |
|-----------|--|
| 1. | <p>Discussion of Chapter 5 concepts will occur in August.</p> <p>Primary Content and Messages</p> <p>Combine identified actions, costs, and time needed to implement Policy Recommendations and Supporting Actions (Chapter 3), as well as identified funding mechanisms (Chapter 4), into a recommended schedule for implementation and identify potential roles and responsibilities for implementation.</p> |
| 2. | <p>Homework- Submission Deadlines:</p> <ul style="list-style-type: none"> • Submit workbook answer sheets to Lewis Moeller by May 3. (lewis.moeller@water.ca.gov) • If you would like someone from the Water Plan Team to contact you regarding your feedback, contact Paul Massera (paul.massera@water.ca.gov). |
| 3. | <p>Schedule:</p> <ul style="list-style-type: none"> • August 23 — Public AC Meeting, Health Services Training Center, Sacramento. • September 27 — Plenary Meeting, McClellan Business Park, Wildland Fire Conference Center. • Public Review Draft Release Date: February 2018. |